RPS Working Group
Meeting Minutes
April 21, 2005

1. <u>ComEd presentation</u>
   a. Ms. Juracek used a power point slide handout. This will represent the minutes for her presentation.
   b. Questions
      i. Why does Com Ed only allow for a 10 year contract?
         1. ComEd believes this is appropriate to mitigate price on ComEd's end. This is open for discussion. There is a concern for prudency risk if the contract is thought to be too long.
      ii. The utilities would have a concern with long term contract risk. On the developers' side, ten years might not be long enough because of financing concerns. It is difficult to construct a wind project with a 10 year contract. Lenders want a 15-20 year contract.
      iii. Commissioner Lieberman is aware of this issue. He believes we need to continue the dialogue.
      iv. If the targets [as proposed in the Governor's letter] are missed because of underbidding, the long- term contract provisions might contribute to the missed targets.
      v. Reference to page 6 of ComEd's presentation: ComEd intends to limit consumer rate impact. Does this mean all customers or residentials?
         1. ComEd is concerned about all customers. All customers are concerned about their bills.
      vi. On the issue of cost recovery, in a competitive market, customers have the use of utility and the competitive markets. All retail energy suppliers just go out and get the power and energy.
         1. ComEd will still be providing the regulated utility service. As an IDC [integrated distribution company], ComEd is the default service provider, not an active marketer.
         2. As for the commodities, the cost to the utility customer is the market price. What ComEd is proposing for the cost recovery of wind power is the recovery of the difference of price for wind generation and PJM market price. ComEd will pass through residual price.
      vii. Does the holding company own generation?
         1. Yes. This only refers to ComEd.
      viii. If ComEd is purchasing on the basis of capacity rather than energy, there are financial instruments available for production. Why not put the burden on developers if failing to meet the production goals?
         1. With contracts for minimum production, ComEd doesn't want to penalize for deadband of wind production.

        2. The Governor's plan shows interest for iron in ground.
        3. To the extent wind comes from other sources, this might complicate things. The stakeholders need to work together to determine where the risk should lie.
    ix. Would this stifle the market? Maybe it would be better to leave to things to the market rather than construct a default factor.
        1. This should be discussed in the next steps.
    x. On the issue of RECs, does ComEd have any thoughts about how to establish a market in Illinois?
        1. ComEd is already trading RECs today,- mostly through bilateral contracts. There are no national or regional markets. PJM is working on GATS system [generation attribute tracking system] as an accounting tool.
        2. ComEd is concerned with an Illinois only REC market. We need a broader base. There should be as many players as possible. There have been conferences on this subject. There are many consultants working on this issue also.
        3. There currently is no transparency for pricing. ComEd worked on own its pricing. Maybe the PJM GATS system will evolve enough so that REC trading can be transparent. Another possibility is to use an independent third party to monitor or audit the markets.
        4. With a RFP process, ComEd would cosntruct it so everyone is comfortable with the results. A third party would be needed to design the RFP process.
    xi. If stakeholders have an interest in this, please comment on the REC trading issue.
        1. In other states often, the REC value rises to level of penalty for failure to meet the RPS requirement. A comment was made about the Massachsetts REC value currently being very close to the penalty.

2. <u>Ameren companies' presentation</u>
    a. Mr. Moehn and Mr. Mill used a power point presentation hand out. This will represent the minutes for this presentation.
    b. Questions
        i. With regards to a long term contract, there are some LMP questions. From the development side and the view of this bifurcated structure in a semi-mechant marke-t type of payment, someone needs to forecast what LMP pricing will look like. How will this be quantified as payment stream for financing purposes? From a long term perspective, utilities will have a better idea of what will happen long-term than lenders and developers. When negotiating a contract, can a floor be offered as part of LMP ? Also with LMP, in many states, LMP rules have changed as things evolve in the market. LMP could be manipulated as units are

turned on and off. Generators will try to game the system. Giving credits to utilities may provide incentives for gaming.

1. For clarification: If Ameren enters into hypothetical 15 year contract at a fixed price of 4 cents per kwh, every day, Ameren would settle out for that day. The wind turbines will generate and then sell into LMP market. The wind generators will still get 4 cents per kwh. The utility will pay to bring the generator up to 4 cents or the utility will get whatever is over 4 cents.
2. The risk is on the ratepayers.
3. A fixed price contract will solve this issue.
4. Market monitors in PJM and MISO will monitor the markets for gaming.
5. Com Ed proposes to sell the energy into PJM and Ameren proposes that the generator should sell it into the market.

ii. Have the utilities considered providing pure renewable product to customers that might want it? How would Ameren charge customers? Would the costs/benefits be passed on to other customers as a result of participation in these programs?

1. ComEd: PECO has a program in which about 10,000 customers participate. This is a mix of residential and small industrial customers. City of Naperville also has this type of program. There are a large number of residential customers on this. The intent of Governors' RPS program is that costs should be more socialized. This doesn't prevent a "greener" proposal. It would be possible to layer a voluntary program onto what is being proposed
2. Ameren: Ameren agrees with ComEd. There is concern with having a competitive advantage. IDC rules prohibit promotion of this sort of program. It doesn't necessarily prohibit making this type of program available, although it prohibits the IDC from promoting it.

iii. Have the utilities considered recognizing the value of certain types of electricity, i.e. peak vs. non-peak?

1. Ameren: Considering the value of energy as different at different times has not been eliminated at this point. The issue is meeting the goals in the most efficient manner at the least cost to consumers. The developers could still contract for higher daytime value, lower off-peak value. Using the LMP market will capture the true value of the energy.
2. ComEd: LMP will capture the market value. The contract price is the known price. The energy value will be recognized through LMP.
3. No one wants to penalize one producer over another.

iv. When considering LMP, the Commission may want to think about location.
    1. Some of this will come out in bid price
v. Will the utility be responsible for procurement? Will this be shown in the annual statement?
    1. All suppliers must provide a quarterly environmental statement. Procurement of renewable power and energy would be included in this statement.
vi. Would RECs be included in this statement as well?
    1. As long as the RECs are attached to the load, this will be included in this statement.
    2. The statement will need to be adjusted for RECs.
    3. RECs must be adjusted for generation. In the physical world, this generation will be displacing something else so the REC is based on actual generation?????.
    4. This will be statistically reconciled.
vii. Does Ameren's proposal include an expenditure cap? How long for a long- term contract?
    1. There is no specific cap proposed. Ameren will rely on the ICC upon acceptance of bids for the RPS fulfillment to deterimine if bids are reasonable. Ameren will look to the ICC to determine zone of reasonableness.
    2. Ameren has developed no specific term yet for a long-term contract. Ameren continues to work with developers. Long-term contracts will probably be around 15 years.
viii. On the contract term issue, the landfill gas manufactures will be seeking contracts of no more than 10 years.
    1. Ameren will match K length to the needs of the source.